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No. 15-927

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,
Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY
HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC.,
AND FIRST QUALITY RETAIL SERVICES, LLC,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether the court of appeals correctly held that § 282 of the Patent Act of 1952 codifies a laches defense that bars stale claims for damages.

CORPORATE DISCLOSURE STATEMENT

First Quality Baby Products, LLC; First Quality Hygienic, Inc.; First Quality Products, Inc.; and First Quality Retail Services, LLC are privately held companies, and no publicly held company owns 10% or more of the stock of any of them.

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BRIEF IN OPPOSITION

INTRODUCTION

Every court of appeals to consider the question, including the Federal Circuit since its inception, has held that laches is available as a defense to patent infringement claims seeking damages. That conclusion is soundly based on the text of the Patent Act of 1952 and its legislative history and purpose. In 35 U.S.C. § 282, Congress codified existing unenforceability defenses to patent infringement, including laches. At that point, laches had been applied for over fifty years as a bar to recovering legal damages, not simply equitable relief,

and Congress codified that version of the defense. Since 1952, Congress has repeatedly modified § 282 and other relevant provisions of the patent laws without ever expressing any disagreement with the uniform consensus that laches is available to bar damages claims.

Petitioners SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively, "SCA") asked the Federal Circuit to discard that longstanding view based on a misreading of this Court's decision in *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), which held that the three-year statute of limitations in the Copyright Act forecloses judicial imposition of a laches defense to damages claims accruing within that period. Sitting en banc, the court of appeals rejected that argument for sound reasons that do not warrant this Court's review. The court correctly understood *Petrella* to rest on a concern for respecting congressional judgments about the timeliness of suit in copyright cases. Pet. App. 35a-36a. But Congress made a different judgment in the patent law. Before the 1952 Act, a laches defense to damages claims was available even *within* the six-year damages limitation period now codified at 35 U.S.C. § 286. Congress chose to retain both laches and the six-year period in the 1952 Act. It did so for sensible reasons that the court of appeals correctly did not second-guess. In these circumstances, it would "jettison Congress' judgment," *Petrella*, 134 S. Ct. at 1967, to substitute SCA's own view of how laches ought to work in patent litigation for the actual view that has prevailed for over a century.

Finally, even if the Court were inclined to consider whether § 282 codifies a laches defense to damages, this case would not be the appropriate vehicle for doing so.

Here, the district court held that SCA's dilatory conduct gave rise not only to laches but also to a complete equitable estoppel defense. Although the Federal Circuit remanded for additional factfinding on equitable estoppel (Pet. App. 85a-91a), an estoppel decision in First Quality's favor will moot the parties' laches dispute. If SCA is equitably estopped from enforcing the asserted patent against First Quality, it does not matter whether laches also bars SCA's claims. Irrespective of the laches issues, the district court must also address First Quality's pending summary judgment motions, which have been fully briefed and which similarly would resolve the entire case. And even if the laches question does not prove to be moot, the Court would be well-served to decline review at this time, given the interlocutory posture of the case.

STATUTES INVOLVED

The petition reproduces the current version of § 282, which "incorporates amendments by the America Invents Act that, due to later effective dates, are inapplicable to the instant case." Pet. App. 18a n.2. The version applicable here provided in relevant part:

> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or unenforceability,
>
> (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

> (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,
>
> (4) Any other fact or act made a defense by this title.

35 U.S.C. § 282 (2010). All citations in this brief refer to the 2010 version of § 282 unless otherwise noted.

STATEMENT

A. Factual Background

Respondents (collectively, "First Quality") and SCA are competitors in the market for adult incontinence and children's diaper products. On October 31, 2003, SCA accused First Quality of making and selling protective underwear products that allegedly infringed SCA's U.S. Patent No. 6,375,646 ("the '646 patent"). The letter asserted:

> It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail® All Nites™. We believe that these products infringe claims of the [the '646 patent].
>
> We suggest that you study [the '646 patent]. If you are of the opinion that the First Quality Prevail® All Nites™ absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.

> Please provide us with your response before *November 21, 2003*.

C.A.J.A. 544; *see* Pet. App. 3a, 94a.

On November 21, 2003, First Quality responded to explain that its accused products could not infringe the '646 patent because that patent is invalid:

> [W]e made a cursory review of prior patents and located U.S. Patent No. 5,415,649, ("the '649 Patent"), which was filed in the United States on October 29, 1991 and is therefore prior to your client's '646 Patent. A review of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client's '646 Patent. As you know, an invalid patent cannot be infringed.

Pet. App. 4a, 95a.

SCA never again accused First Quality of infringing the '646 patent until it brought this lawsuit, nearly seven years after its initial letter.

Instead, in April 2004, SCA sent a second letter accusing a different First Quality product of allegedly infringing a different SCA patent. In that second letter, SCA did not mention its first letter or the '646 patent. Pet. App. 95a. First Quality responded in May 2004, referencing the parties' prior correspondence regarding the '646 patent and stating that it also did not infringe the second asserted SCA patent. SCA replied in July 2004, again without acknowledging the parties' earlier correspondence or mentioning the '646 patent. *Id.* 95a-96a. As a result of SCA's silence, First Quality "'did not consider [the '646 patent] to be an issue.'" *Id.* 116a (quoting deposition testimony of First Quality's execu-

tive officer); *see also id.* 4a ("[F]rom First Quality's point of view, SCA dropped its infringement allegations against First Quality after First Quality argued the ['646 patent] was invalid in the November 21st letter.").

After misleading First Quality into believing that it had dropped its infringement contentions based on the '646 patent, SCA initiated an ex parte reexamination of the patent at the Patent and Trademark Office in July 2004. Pet. App. 4a. SCA asked the Patent and Trademark Office to reexamine the patentability of the claims in the '646 patent in view of the prior art First Quality had cited in its November 21, 2003 letter. *Id.* (As First Quality later learned, SCA had long been aware of this prior art but had failed to bring it to the attention of the examiner during the initial prosecution of the '646 patent. C.A.J.A 879-880.) The reexamination took nearly three years. During that time, SCA kept close watch over First Quality's business, through "an entire department dedicated solely to competitive intelligence," which had "continuously tracked First Quality's activity since 2003." Pet. App. 104a. SCA acquired and analyzed First Quality products and advertisements, and kept abreast of First Quality's expansion plans. *See* C.A.J.A. 920, 923-927, 929-931, 939, 941-943, 945-946.[1] Yet it "is undisputed that SCA did not notify First Quality as to the existence of the reexamination proceeding" and that First Quality did not learn of it until after SCA filed this suit. Pet. App. 96a.

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[1] SCA's continuous monitoring of its competitors thus belies any suggestion that it lacked "the wherewithal to take on expensive litigation or police infringement." Pet. 28. Indeed, SCA is part of a global conglomerate with thousands of employees worldwide, billions of dollars in revenue, and in-house legal counsel in both Europe and the United States.

The Patent and Trademark Office concluded its ex parte reexamination in March 2007 and confirmed its view of the patentability of the '646 patent. Pet. App. 4a. SCA did not inform First Quality at that time (or for years afterwards). Instead, SCA again delayed.

Meanwhile, unaware of any continuing dispute about the '646 patent, First Quality invested substantial capital to expand its market share for protective underwear. Among other things, First Quality spent hundreds of millions of dollars between 2006 and 2009 to purchase new protective underwear lines and to acquire a subsidiary of Covidien Ltd. *See* Pet. App. 5a, 70a-71a, 107a-108a. Between 2004 and 2010, as a result of these business decisions and the success of its products, First Quality's sales from products now alleged to infringe the '646 patent increased eight-fold. C.A.J.A. 1085.

SCA brought this suit for infringement of the '646 patent on August 2, 2010—more than three years after the reexamination concluded, and nearly seven years after it accused First Quality of infringing the patent.

B. Proceedings Below

1. The district court granted summary judgment in favor of First Quality, finding that laches barred SCA from recovering damages that accrued before suit was filed and that equitable estoppel barred SCA's suit altogether. Pet. App. 111a, 120a. *First*, the district court found that laches barred pre-suit damages under a straightforward application of the Federal Circuit's en banc decision in *A.C. Aukerman Co.* v. *R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992). *Aukerman* recognized the viability of laches as a defense to a patent infringement suit for damages and

held that a rebuttable presumption of laches arises when suit is delayed for more than six years, as it was here. 960 F.2d at 1035-1036. Applying that presumption, the district court found that SCA failed to present evidence sufficient to create a genuine issue of fact regarding the unreasonableness of its delay and First Quality's economic prejudice resulting from that delay. Pet. App. 105a, 110a-111a.

On unreasonable delay, the court "reject[ed] SCA's argument that it needed more than three years [after the reexamination proceeding concluded] to determine whether it was appropriate to bring infringement claims against First Quality," given that "SCA had already completed its infringement analysis by October of 2003, when it sent the initial letter to First Quality" and SCA had "continuously tracked First Quality's activity since 2003." Pet. App. 104a. On economic prejudice, the court found that First Quality had made significant investments in its protective underwear business since SCA's 2003 letter and had been "deprived ... of the opportunity to modify its business strategies" in response to a potential suit. *Id.* 108a.

Second, the district court found that First Quality met each element of its equitable estoppel defense: a misleading communication or omission, reliance on that misleading communication or omission, and resulting prejudice. Pet. App. 111a. Specifically, "SCA unquestionably misled First Quality through its 2003 letter and subsequent inaction," and First Quality relied on SCA's inaction in expanding its protective underwear business. *Id.* 113a, 116a-119a. First Quality "suffered economic prejudice by making substantial capital investments, acquiring [a subsidiary] from Covidien, and increasing its sales of the accused products," while

"'los[ing] the opportunity to limit its present exposure to substantial litigation costs and damages because it believed there was no longer a threat of litigation concerning the [patentee's] patent.'" *Id.* 119a (quoting *Wafer Shave, Inc.* v. *Gillette Co.*, 857 F. Supp. 112, 125 (D. Mass. 1993)) (alteration in original). Finding no issue of material fact on any of the elements, the district court granted summary judgment to First Quality on equitable estoppel, which "serve[d] as an absolute bar to [SCA's] claim of infringement." *Id.* 111a.

Finally, the court denied as moot First Quality's two other pending motions for summary judgement, both on grounds of non-infringement.

2. The Federal Circuit affirmed the district court's holding regarding laches but reversed regarding equitable estoppel. In considering laches, the panel noted that *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), left *Aukerman* intact.[2] Applying *Aukerman*, the panel agreed with the district court that "SCA should have been prepared to reassert its rights against First Quality shortly after the '646 patent emerged from reexamination," and that "SCA

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[2] In *Petrella*, the Court observed in a footnote that *Aukerman* had "held that laches can bar damages incurred prior to the commencement of suit, but not injunctive relief," and that the Court had "not had occasion to review the Federal Circuit's position." 134 S. Ct. at 1974 n.15. SCA makes much of that footnote (*e.g.*, Pet. i, 2-3), but this Court's decision not to address the Patent Act did not suggest any infirmity in the Federal Circuit's position that laches is cognizable under 35 U.S.C. § 282 to bar legal damages. If anything, the *Petrella* footnote indicates that the analysis of the Patent Act might be different from the analysis of the Copyright Act, which it is. *See infra* pp. 23-27. Further, *Petrella*'s reference to *Aukerman*'s ruling on injunctive relief is moot now that the decision below clarified the availability of laches to bar injunctive relief. Pet. App. 39a-41a.

failed to rebut the presumption that First Quality suffered economic harm." Pet. App. 79a, 81a.

Regarding equitable estoppel, the panel found that genuine issues of material fact remained "as to whether SCA made a misleading communication to First Quality" through its silence and "whether First Quality relied on its own opinion that the '646 Patent was invalid ... rather than relying on SCA's silence." Pet. App. 89a, 90a.

3. The Federal Circuit reheard the case en banc to consider whether laches remained a viable defense to a patent infringement suit for damages after *Petrella*.[3] The Federal Circuit answered in the affirmative, repeating its decades-old recognition that Congress codified a laches defense in 35 U.S.C. § 282. Pet. App. 18a-23a. Thus, the court explained, applying laches as a defense to patent damages claims does not offend the separation of powers or any congressional judgment about timeliness, as was at issue in *Petrella* in the copyright context (where laches had no statutory basis). *Id.* 35a-36a. The en banc court also reconfirmed that the codified laches defense in § 282 bars legal, as well as equitable, relief. Though "Congress remained silent on the content of the laches defense" (*id.* 26a), "Congress's purpose in enacting the [1952] Patent Act was to codify the prevailing law" (*id.* 25a), which, in 1952, allowed laches to preclude recovery of legal damages. *Id.* 29a. The en banc Federal Circuit also held that, contrary to *Aukerman*'s bright-line rule that laches may only bar pre-suit damages, laches may be considered in fashioning appropriate injunctive relief, though "equity nor-

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[3] In its petition for rehearing en banc, SCA also asked the Federal Circuit to reconsider the laches presumption, but the court declined to do so. *See infra* pp. 29-30.

mally dictates that courts award ongoing royalties, despite laches." *Id.* 42a. Although five judges dissented from the principal laches holding, they joined this section of the majority opinion.

Finally, the en banc court reinstated the panel opinion's reversal of the district court's grant of summary judgment on equitable estoppel and remanded the case to the district court for proceedings consistent with the opinion. Pet. App. 44a. SCA did not seek a stay of the Federal Circuit's mandate, and the mandate issued on October 26, 2015. C.A. Dkt. 259.

4. Nearly three months later, SCA moved in the district court for a stay pending proceedings in this Court. Dist. Ct. Dkt. 139. First Quality opposed that request, explaining that further proceedings on equitable estoppel—as contemplated by the remand order—will be necessary regardless of this Court's disposition of the present petition. Dist. Ct. Dkt. 140. First Quality also asked the district court to rule on First Quality's pending non-infringement motions, which had been mooted when the district court previously granted summary judgment on laches and equitable estoppel grounds. As of the filing of this brief, SCA's motion for a stay remains pending.

REASONS FOR DENYING THE PETITION

I. THE INTERLOCUTORY POSTURE OF THIS CASE MAKES IT A POOR VEHICLE TO REVIEW THE QUESTION PRESENTED

The interlocutory posture of this case weighs heavily against granting review. The case has been remanded to the district court, where First Quality will proceed on its other defenses. Those ongoing proceedings may well render the laches question moot, or of

limited significance to the resolution of the parties' dispute. Nor is there any compelling reason to review this case notwithstanding its interlocutory status. SCA will be free to seek review of the laches question after final judgment, if the issue remains in contention.

First, the laches dispute will be moot if SCA is equitably estopped from pursuing its claims. Equitable estoppel "acts as a complete bar to a patentee's infringement claim." Pet. App. 73a. It thus not only (like laches) bars recovery of damages for past infringement but also (unlike laches) bars recovery for ongoing or future infringement. *Id.* 43a-44a ("Laches bars legal relief," and "may ... counsel against an injunction," but "absent extraordinary circumstances, laches does not preclude an ongoing royalty."). Moreover, SCA does not and cannot argue that the question presented has any bearing on First Quality's equitable estoppel defense. *Petrella* reaffirmed the availability of equitable estoppel as a defense in copyright litigation and, *a fortiori*, did not call it into question in patent litigation. *See Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1977 (2014) (equitable estoppel "may bar the copyright owner's claims completely, eliminating all potential remedies"). If First Quality prevails on its equitable estoppel defense, the question whether laches also bars SCA from recovering pre-suit damages will be academic. Further, it is likely that First Quality will prevail, and quickly, on an equitable estoppel defense. Discovery is complete, and the issue is ready to be resolved after a short bench trial. *Supra* pp. 8-9, 11.

Second, the laches dispute will also become moot (or significantly narrowed) if First Quality prevails on its other defenses to liability—including that it does not infringe the '646 patent. Two motions concerning non-

infringement have been fully briefed and are ripe for decision by the district court. One motion, if granted, would resolve the entire case, mooting the laches dispute.[4] The other, if granted, would limit the scope of SCA's infringement claims from nine product categories to one. Dist. Ct. Dkt. 98-1, at 1. SCA is thus entirely wrong to suggest that laches "conclusively" ends any part of this litigation (Pet. 29), which will necessarily proceed as to First Quality's multiple other defenses in any event.

In these circumstances, granting review would be, at best, premature. *See* Shapiro et al., *Supreme Court Practice* 285 (10th ed. 2013) ("Substantial progress toward a final decision creates the possibility that the issues before the Supreme Court will become moot and lessens the likelihood that a Supreme Court ruling will save the parties and the courts from wasted effort."). Indeed, it is this Court's usual practice to deny interlocutory review. *E.g.*, *Virginia Military Inst.* v. *United States*, 508 U.S. 946, 946 (1993) (statement of Scalia, J., respecting denial of the petition for certiorari) ("We generally await final judgment in the lower courts before exercising our certiorari jurisdiction."). This is true even where the question presented involves constitutional questions of great import (as this petition assuredly does not). *See, e.g.*, *Mount Soledad Mem'l Ass'n* v. *Trunk*, 132 S. Ct. 2535, 2535, 2536 (2012) (statement of Alito, J., respecting the denial of the petitions for certiorari) (agreeing with denial of petitions

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[4] The potentially dispositive motion is a *Daubert* motion contending that portions of SCA's expert testimony should be excluded. Dist. Ct. Dkt. 96-1. First Quality contends that, without this testimony, SCA will be left without evidence of infringement, First Quality will be entitled to summary judgment on all claims, and the laches dispute will be moot. *See id.* at 1-2.

because "no final judgment has been rendered and it remains unclear precisely what action the Federal Government will be required to take," despite belief that "[t]his Court's Establishment Clause jurisprudence is undoubtedly in need of clarity").

There is no reason to depart from the Court's usual practice here. This case does not present an important issue that is "fundamental to the further conduct of the case," *Supreme Court Practice* 283, such as a preliminary injunction producing "immediate consequences" for the petitioner, *see, e.g.*, *Mazurek* v. *Armstrong*, 520 U.S. 968, 975 (1997) (per curiam), or the certification of a class, *see, e.g.*, *Wal-Mart Stores, Inc.* v. *Dukes*, 131 S. Ct. 2541, 2549-2550 (2011). Here, regardless of the viability of laches as a defense, the parties will continue to litigate the separate issues of non-infringement, validity, and equitable estoppel. If the laches question has any continuing significance after final resolution of the parties' entire dispute in the lower courts, SCA may seek this Court's review at that time. *Supreme Court Practice* 285 ("Denial of certiorari at the interlocutory stage of a proceeding is without prejudice to renewal of the questions presented when certiorari is later sought from the final judgment, assuming the questions are properly preserved in the lower courts after the initial denial.").

Finally, granting review now will not serve to "hasten or finally resolve the litigation." *Supreme Court Practice* 285. As explained above, this litigation will proceed on First Quality's estoppel and non-infringement defenses (as well as potentially other liability issues) regardless of whether or not laches applies. Granting review may in fact delay the case, as SCA seeks a stay in the district court pending proceed-

ings in this Court. Denying the petition, on the other hand, will ensure that the case progresses and that the laches question will be presented to this Court only if it remains a live controversy.

In short, this case presents no unusual factor warranting departure from this Court's normal practice of denying interlocutory review.

II. THE DECISION BELOW IS CORRECT

A. Congress Codified A Laches Defense To Damages Claims In § 282

The Court's review is also unnecessary and unwarranted because the decision below is correct. At bottom, that decision was an unexceptional exercise in statutory interpretation: The court of appeals reconfirmed its longstanding view that "Congress codified a laches defense" in § 282 of the Patent Act of 1952, and that the defense as Congress codified it "may bar legal remedies." Pet. App. 2a. Laches had been available to bar infringement claims seeking damages, whether at law or in equity, for decades prior to 1952, and Congress did not intend to alter that status quo. To the contrary, all the available evidence—the statute's text and purpose, the legislative record, and contemporary commentary—supports the Federal Circuit's conclusion that § 282 preserves a form of laches that may bar stale damages claims. That understanding has now prevailed for decades, during which time Congress has repeatedly amended the patent laws, including § 282, without ever disagreeing. The court of appeals was thus well justified in rejecting SCA's invitation to displace Congress' judgment and jettison the laches defense at this late date.

1. The court of appeals began by determining "that Congress codified a laches defense" in § 282 of the Patent Act of 1952. Pet. App. 18a-23a. The prior statute had listed five defenses, but an exhaustive catalog was impractical. *See, e.g.*, 4 *Walker on Patents* § 887E, at 2772-2789 (Deller's ed., 1937) (listing twenty-five recognized defenses, including laches). In § 282, rather than attempting to enumerate every specific defense, Congress "broadly set[] out" entire "categories of defenses" (Pet. App. 19a), including "[n]oninfringement, absence of liability for infringement or unenforceability," Pub. L. No. 82-593, § 282, 66 Stat. 792, 812 (1952).

Laches comfortably falls within the broad terms of § 282. For example, laches was understood at the time as an "unenforceability" defense. *See, e.g.*, *Ford* v. *Huff*, 296 F. 652, 657-658 (5th Cir. 1924) (patent was "render[ed] unenforceable" by plaintiff's "estoppel and laches"); *Richardson* v. *D.M. Osborne & Co.*, 93 F. 828, 830 (2d Cir. 1899) (laches defense is premised on "the inequity which would result if the stale claim was permitted to be enforced"); *cf. United States* v. *New Orleans Pac. Ry. Co.*, 248 U.S. 507, 511 (1919) (trust agreement was "unenforceable by reason of inexcusable laches").[5] Under "a well-established rule of construction" that the court of appeals correctly applied, Congress must be presumed to have meant "'to incorporate the established meaning'" of the terms it used, where those terms "'have accumulated settled meaning.'" *Neder* v. *United States*, 527 U.S. 1, 21 (1999). Indeed, in *Microsoft Corp.* v. *i4i Limited Partnership*, this Court already applied that rule to other language in § 282 of

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[5] The same is still true. *See, e.g., Ultimax Cement Mfg. Corp.* v. *CTS Cement Mfg. Corp.*, 587 F.3d 1339, 1348 (Fed. Cir. 2009) (patent was "unenforceable due to laches").

the 1952 Act, concluding that Congress "meant to incorporate 'the cluster of ideas' attached to the common-law term[s]" it employed there. 131 S. Ct. 2238, 2247 (2011). Here, the presumption and reality are that Congress intended to preserve, not eliminate, laches.

In addition to flowing straightforwardly from the words Congress used, the Federal Circuit's conclusion is also bolstered by other evidence of legislative intent. The central purpose of the 1952 Act was to restate existing law. *See* H.R. Rep. No. 82-1923, at 3 (1952) (explaining "the main purpose of codification and enactment of title 35 into law, with only some minor procedural and other changes"). As to § 282, both the House and Senate Reports confirm Congress' purpose of restating infringement defenses "in general terms," without "materially changing the substance" of any defense. *Id.* at 10; *see* S. Rep. No. 82-1979, at 9 (1952) (same); *see also* 98 Cong. Rec. 9323, 9323 (1952) (statement of Sen. McCarran) (similar).

Finally, the court of appeals noted that, in a widely cited commentary on the 1952 Act, P.J. Federico confirmed that the general categories of defenses in § 282 were intended to "'include ... *equitable defenses such as laches*, estoppel and unclean hands.'" Pet. App. 20a (citing preface to 1954 edition of Title 35 of the United States Code, reprinted as Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 215 (1993)). SCA criticizes the Federal Circuit for supposedly treating Federico's commentary as "legislative history"—indeed, that appears to be one of its principal claims of error (Pet. 15, 21-22)—but that charge is baseless. Federico was a "principal draftsman of the 1952 recodification," *Diamond* v. *Chakrabarty*, 447 U.S. 303, 309 n.6 (1980), and the court of appeals

merely accorded his views the persuasive weight to which they are entitled, as this Court has done, *see Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 342 n.8 (1961) (citing the same commentary).[6]

SCA also insists that § 282 "makes no mention of laches." Pet. 19. However, as detailed above, Congress substituted general terms for specifically enumerated defenses. That is why § 282 also makes no mention of other well-recognized grounds for unenforceability, such as equitable estoppel, inequitable conduct, and prosecution laches. *See, e.g., Symbol Techs., Inc.* v. *Lemelson Med., Educ. & Research Found., LP*, 277 F.3d 1361, 1366 (Fed. Cir. 2002); *J.P. Stevens & Co.* v. *Lex Tex Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984). Congress need not "reiterate ... expressly" all the common-law understandings it incorporates when it uses broad terms with "'accumulated settled meaning.'" *i4i*, 131 S. Ct. at 2246.

2. The "critical question" below was thus not whether § 282 codified some form of laches—the answer can only be yes—but rather whether the defense "as codified in the 1952 Patent Act bar[s] recovery of legal relief." Pet. App. 23a. "Following a review of the relevant common law" and statutory framework, the court of appeals concluded that laches "operated as a defense to legal relief" before 1952 and that Congress intended to adopt that consensus understanding. *Id.*

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[6] Federico, then serving as Examiner-in-Chief of the Patent Office, "wrote the first draft of the Act himself," at the request of legislators, and "actively participated for the next two years in every detail of its revisions." *Paulik* v. *Rizkalla*, 760 F.2d 1270, 1277 (Fed. Cir. 1985) (Rich, J., concurring). His views offer "'invaluable insight'" into the Act and have been considered "countless times" by numerous courts. Pet. App. 21a (collecting cases).

34a. That conclusion is well-grounded in the history of the patent laws, which SCA fails to address. For decades prior to the 1952 Act, Congress had already provided statutory mechanisms for a patentee to seek an award of damages in equity, and for an accused infringer to raise equitable defenses at law. As a result, the courts of appeals that considered the question before 1952 had uniformly applied laches to bar stale infringement damages claims, whether at law or in equity. Congress codified that understanding.

Traditionally, as the Federal Circuit explained, a patentee could either seek an injunction and an accounting of the infringer's profits in equity, or damages at law to compensate the patentee for its losses. *See Robert Bosch, LLC* v. *Pylon Mfg. Corp.*, 719 F.3d 1305, 1309-1314 (Fed. Cir. 2013) (en banc) (historical overview of equitable accounting). In the Patent Act of 1870, however, Congress abolished that distinction and "gave equity courts the authority to award legal damages" in patent cases. Pet. App. 27a (citing Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206). An "accounting" then came to refer to the overall calculation in equity of both profits and damages. *Id.* 29a. Congress later permitted the award of "reasonable" damages if actual damages were "not susceptible of calculation," Pub. L. No. 67-147, § 8, 42 Stat. 389, 392 (1922), and equity courts were thus awarding the same "reasonable royalty" damages as are available today, 35 U.S.C. § 284.

During this timeframe, Congress also permitted equitable defenses to be raised to bar actions at law, including infringement suits. Prior to those reforms, an accused infringer sued at law could raise an equitable defense only by filing a separate "bill in equity to enjoin the ... suit at law until the equitable defense was decid-

ed." *A.C. Aukerman Co.* v. *R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1031 n.10 (Fed. Cir. 1992) (en banc). But Congress amended the Judicial Code in 1915 to permit equitable defenses to be interposed directly as barriers to legal relief. Pet. App. 27a (citing Pub. L. No. 63-278, 38 Stat. 956, 956 (1915)). Congress thereby "transformed matter which was only defensive in an equity suit, into a defense to the law action." Clark & Moore, *A New Federal Civil Procedure*, 44 Yale L.J. 387, 427-428 (1935).

Against this backdrop, pre-1952 patent courts routinely applied laches to bar stale damages claims—however pleaded. Pet. App. 29a-30a, 32a (collecting cases); *Aukerman*, 960 F.2d at 1029 n.6 (same). That uniform judicial consensus included cases brought as actions at law, where laches was raised as a successful defense under the 1915 amendments described above. *E.g.*, *Universal Coin Lock Co.* v. *American Sanitary Lock Co.*, 104 F.2d 781, 781 (7th Cir. 1939); *Banker* v. *Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934); *Ford*, 296 F. at 657. It also included cases in which the patentee sought damages in equity. *E.g.*, *Lukens Steel Co.* v. *American Locomotive Co.*, 197 F.2d 939, 940, 941 (2d Cir. 1952); *Montgomery Ward & Co.* v. *Clair*, 123 F.2d 878, 883 (8th Cir. 1941); *Union Shipbuilding Co.* v. *Boston Iron & Metal Co.*, 93 F.2d 781, 783 (4th Cir. 1938); *Gillons* v. *Shell Co. of Cal.*, 86 F.2d 600, 608 (9th Cir. 1936); *George J. Meyer Mfg. Co.* v. *Miller Mfg. Co.*, 24 F.2d 505, 508 (7th Cir. 1928).[7] Contemporary treatises confirm the point, teaching that laches is available

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[7] This Court also applied laches to bar a stale infringement claim, brought as a bill in equity, in which the plaintiff had been awarded $3,667 in an accounting. *Lane & Bodley Co.* v. *Locke*, 150 U.S. 193, 194, 201 (1893).

to bar both equitable and legal damages remedies. *See* 4 *Walker*, *supra*, § 880B, at 2658 ("Where the plaintiff is chargeable with laches, he cannot recover the damages he has suffered nor the profits defendant has gained.").

The Federal Circuit was right to conclude, after canvassing these authorities, that the laches defense as it existed in 1952 operated "to bar legal relief" (*i.e.*, damages) and that Congress codified that understanding in § 282 of the 1952 Act. Pet. App. 34a. That was the uniform understanding of the courts and the bar at the time. Indeed, SCA has never been able to "identify a single appellate-level patent infringement case stating—much less holding—that laches is inapplicable to legal damages." *Id.* 33a. SCA cites *Middleton* v. *Wiley*, 195 F.2d 844 (8th Cir. 1952), and a district-court decision as though they reflected a "circuit split" (Pet. 24), but that is wishful thinking. The latter could hardly create a circuit split, and the former "merely states that the elements of laches were not proven in that case" on its particular facts. Pet. App. 32a n.9; *see Middleton*, 195 F.2d at 847.

SCA also attempts to dismiss the pre-1952 case law applying laches to bar damages claims as "vague," wrongly decided, or limited to damages in equity. Pet. 23. But it is SCA which fails to grasp pre-1952 patent law and practice. Congress had purposefully eliminated any "sharp distinction between legal and equitable actions for damages" or between "the defenses that were available" to an accused infringer in a suit for damages. Pet. App. 34a. Absent strong evidence to the contrary—evidence SCA does not have—Congress should not be presumed to have surreptitiously changed course in 1952, limiting laches in a way no court of appeals had ever previously done.

The text of the 1952 Act suggests quite the opposite: Congress chose to make unenforceability a defense "in *any* action," not merely equitable proceedings. 35 U.S.C. § 282 (emphasis added). "Read naturally, the word 'any' has an expansive meaning[.]" *United States* v. *Gonzalez*, 520 U.S. 1, 5 (1997). Moreover, the purpose of the 1952 Act was to restate existing law except where changes were conspicuously noted. *Supra* p. 17. Congress expressed no special limitations on the unenforceability defenses it codified, including laches, and none should be read into the statute now.

3. The history of patent law since 1952 further confirms the correctness of the decision below. "Without exception, all circuits recognized laches as a defense to a charge of patent infringement," including damages claims, in the thirty-year period between passage of the 1952 Act and creation of the Federal Circuit. *Aukerman*, 960 F.2d at 1030; *see, e.g.*, *Continental Coatings Corp.* v. *Metco, Inc.*, 464 F.2d 1375, 1379 (7th Cir. 1972) (Stevens, J.) (patentee "lost the right to recover damages for past infringement" due to laches); *Studiengesellschaft Kohle mbH* v. *Eastman Kodak Co.*, 616 F.2d 1315, 1325-1326 (5th Cir. 1980) (collecting cases). Since its inception, the Federal Circuit has likewise understood the Patent Act to preserve laches as a defense to damages claims. *Aukerman*, 960 F.2d at 1032 & n.11 (collecting cases). It confirmed that view unanimously in *Aukerman*. *See id.* at 1032; *id.* at 1046 (Plager, J., concurring in part and dissenting in part on other grounds).

During those decades, Congress "has often amended § 282," *id.*, 131 S. Ct. at 2252, while leaving untouched this settled understanding of laches. Indeed, as recently as the Leahy-Smith America Invents Act—the most significant reworking of patent law since the

1952 Act—Congress reorganized § 282 and eliminated another defense the statute had previously permitted, without so much as hinting at any disagreement with the Federal Circuit's interpretation. Pub. L. No. 112-29, § 15(a), 125 Stat. 284, 328 (2011) (abolishing the "best mode" defense); *id.* § 20(g)(2)(B), 125 Stat. at 334 (conforming amendment reenacting "unenforceability" defense in § 282); *see also, e.g.*, *North Star Steel Co.* v. *Thomas*, 515 U.S. 29, 34 (1995) (presumption that Congress is aware of relevant precedents and "'expect[s] its enactment[s] to be interpreted in conformity with them'"); *Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2410-2411 (2015) (noting Congress' "continual reworking of the patent laws," and expressing particular reluctance to "unsettle stable law" in this area). Everything the Court said in *i4i* is thus fully applicable to laches: Now that Congress "has allowed the Federal Circuit's correct interpretation of § 282 to stand" for more than thirty years, "[a]ny re-calibration" of laches must be left to Congress. *i4i*, 131 S. Ct. at 2252.

B. *Petrella* Does Not Support A Contrary Reading Of The Patent Act

SCA urged the court of appeals to overturn over a century of settled laches precedent based on a misreading of *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), and a misunderstanding of § 286 of the Patent Act. SCA describes the latter as a "six-year statute of limitations." Pet. 15. In fact, § 286 is not a statute of limitations; it does not bar suit outright, nor does it suggest that Congress meant to displace the common law's consequences where a plaintiff delays suit despite actual knowledge of the accused conduct, to the detriment of the defendant. Rather, § 286 operates only to limit the damages that may be recovered if the

patent is found to be valid and infringed.[8] But even if § 286 were equivalent to a statute of limitations, the court of appeals was entirely correct to reject SCA's view. The court recognized and applied *Petrella*'s central lesson that Congress' judgment about the timeliness of claims must be given effect. It simply concluded that Congress made a different judgment in the Patent Act from the one made in the Copyright Act, by retaining both the six-year damages limitation and laches as a defense even within that period. Congress had ample reason to do so, given the substantial differences between patent and copyright law. In any event, that reading of the Patent Act is neither novel nor inconsistent with *Petrella*, nor is it otherwise worthy of this Court's review.

1. *Petrella* addressed "whether the equitable defense of laches" could "bar relief on a copyright infringement claim brought within" the three-year limitations period specified in the Copyright Act. 134 S. Ct. at 1967. It was undisputed that "[l]aches in copyright cases" was "'entirely a judicial creation,'" without any statutory basis. *Id.* at 1972; *see* Resp. Br. 15, *Petrella*, No. 12-1315 (U.S. Dec. 16, 2013) (citing federal courts'

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[8] The statute provides in pertinent part that "[e]xcept as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." 35 U.S.C. § 286. The Federal Circuit declined to rest its decision on the distinction between § 286 and a statute of limitations, such as the one at issue in *Petrella* (Pet. App. 17a-18a), but that distinction provides yet another reason to deny review. Section 286 is akin to a statute of repose; as this Court has recognized, there are meaningful differences between statutes of repose and statutes of limitations in interpreting congressional intent. *See, e.g.*, *CTS Corp.* v. *Waldburger*, 134 S. Ct. 2175, 2186-2187 (2014) (federal statute preempted state statutes of limitation but not statutes of repose).

"inherent equitable powers"). In that circumstance, the "controlling time prescription[]" was the statute of limitations itself, in which Congress had already "take[n] account of delay" in bringing suit. 134 S. Ct. at 1970, 1973. The Court held that applying a judicially-created laches defense to bar suits accruing within the limitations period was tantamount to "jettison[ing] Congress' judgment on the timeliness of suit." *Id.* at 1967.

Petrella thus rests on a concern for respecting the "separation of powers." Pet. App. 35a. But that very principle *supports* the decision below. In the Patent Act, unlike the Copyright Act, Congress "codified a laches defenses" and intended to preserve laches as "a viable defense to legal relief in patent law." *Id.* 36a. The Federal Circuit was thus not free to "jettison Congress' judgment" that a laches defense to damages claims is appropriate in the patent context. *Petrella*, 134 S. Ct. at 1967. The court of appeals properly rejected SCA's invitation to the court to "'substitute [its] own views for those expressed by Congress'" in the 1952 Act. Pet. App. 36a (quoting *Mobil Oil Corp.* v. *Higginbotham*, 436 U.S. 618, 626 (1978)).

SCA resists this settled interpretation of § 282, arguing that the court of appeals should instead have "give[n] primacy to the language of" § 286. Pet. 19. But § 286 by its terms does not limit or even address the availability of a laches defense. It is materially identical in relevant part to a predecessor statute dating to 1897, which applied equally to actions at law and in equity, and which coexisted for over fifty years with a laches defense to damages claims prior to the 1952 Act. *Auker-man*, 960 F.2d at 1030 & n.9 (citing Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694); *see, e.g.*, *Gillons*, 86 F.2d at 606, 610-611 (applying laches within six-year period).

SCA does not attempt to reconcile its view with this uniform pre-1952 consensus. It suggests instead that every patent decision applying laches to bar damages claims before the 1952 Act was incorrectly decided because "the common law was that laches cannot bar claims for legal relief" unless "Congress has not enacted a limitations period." Pet. 22. To be sure, the "principal application" of laches is to protect against stale equitable claims "for which the Legislature has provided no fixed time limitation." *Petrella*, 134 S. Ct. at 1973. But that is merely a common law default; nothing prevented Congress from codifying and continuing the defense's application to damages claims, even within a prescribed time limit for recovery under such claims. The courts of appeals uniformly understood Congress to have done just that in its reforms to the patent statutes prior to 1952, Congress codified that understanding, and Congress has not seen fit to disturb it since then.

The decision below did not rest on any improper "patent law exceptionalism." Pet. 27. As this Court recognized in *Petrella*, Congress also made a different judgment about laches and damages in the trademark infringement context in the Lanham Act. 134 S. Ct. at 1974 n.15. The fact that the Lanham Act mentions laches by name, whereas the Patent Act includes it under the broad umbrella of "unenforceability," does not change the fact that the patent law is hardly alone in retaining laches. Outside the intellectual property context, laches may also bar some otherwise timely filed hostile work environment claims under the Civil Rights Act. *Id.* at 1975 n.16 (discussing *National R.R. Passenger Corp.* v. *Morgan*, 536 U.S. 101 (2002)); *see also id.* at 1984-1985 (Breyer, J., dissenting) (additional examples).

Because the Patent Act provides the "controlling time prescriptions," including laches, *Petrella*, 134 S. Ct. at 1970, this case is quite unlike other recent decisions to which SCA wrongly compares it. Pet. 20. None of SCA's cases involved any comparable statutory interpretation—one that long predates even the Federal Circuit itself.

2. Although not central to its decision, the court of appeals also observed that "one major difference between copyright and patent law bears mention: copyright infringement requires evidence of copying, but innocence is no defense to patent infringement." Pet. App. 37a. That distinction may well explain why Congress chose to codify a laches defense to damages in one context but not the other.

As the court below elaborated, because copyright infringement requires copying, *see, e.g.*, *Feist Publ'ns, Inc.* v. *Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991), an accused infringer can be liable only if it had access to the copyrighted work. A copyright defendant will therefore typically have had some notice of its potential liability, an opportunity to "estimate its exposure in making [any] initial investment decision," and a chance to accumulate and preserve "evidence of independent creation" to defend against any subsequent infringement claims. Pet. App. 37a. Not so in patent law: Copying is not an element of patent infringement. 35 U.S.C. § 271(a). Making, using, or selling the patented invention constitutes direct infringement even if the infringer is unaware that the patent exists. *See Global-Tech Appliances, Inc.* v. *SEB S.A.*, 131 S. Ct. 2060, 2065 n.2 (2011) ("[A] direct infringer's knowledge or intent is irrelevant.").

Absent laches, nothing prevents a patentee from sitting silently on its rights while an innocent infringer invests substantial time and resources to independently develop and commercialize a product, "only to have [the] patentee emerge six years later to seek the most profitable six years of revenues." Pet. App. 38a. Under SCA's rule, "innovators [would] have no safeguards against tardy claims demanding a portion of their commercial success." *Id.* Worse, the defendant may well have locked itself into using the infringing technology, even though an alternative technology could easily have been substituted had the defendant received timely notice of the potential infringement. Indeed, that is precisely what happened here. Because of SCA's delay, First Quality was foreclosed from pursuing different business strategies to avoid the allegedly infringing products, which would have been available had SCA timely asserted its infringement claims. *See id.* 109a ("First Quality would not have invested millions of dollars in acquiring and retooling [one of its facilities] if it was embroiled in a lawsuit with SCA relating to [the allegedly infringing] products."); *id.* 109a-110a ("First Quality could have either demanded that Covidien resolve all issues with respect to SCA's claims prior to [First Quality's] acquisition [of Covidien's subsidiary] or foregone purchase of the product lines accused of infringement.").

Those very real practical concerns are why *amici* "encompassing industries as diverse as biotechnology, electronics, manufacturing, pharmaceuticals, software, agriculture, apparel, health care, telecommunications, and finance" all "overwhelmingly" urged the court of appeals to confirm that laches remains an available defense under the Patent Act. Pet. App. 38a. These *amici* also pointed to other pertinent distinctions between

copyright and patent law—distinctions which the court of appeals did not discuss but which further support its decision. The Copyright Act, for example, provides for various deductions to any award of damages to permit an infringer to "retain the return on investment shown to be attributable to its own enterprise." *Petrella*, 134 S. Ct. at 1973 (citing 17 U.S.C. § 504(b)). The Patent Act contains no analogous mechanism to account for the investment an infringer may have made during the patentee's delay in bringing suit.

C. The Six-Year Presumption Of Laches Is Not Separately Worthy Of Review

SCA suggests in places that the Court should grant the petition to review whether laches should presumptively apply when, as here, the patentee delays suit for more than six years. Pet. i, 15, 24-26. SCA describes that as the "Federal Circuit's" presumption (Pet. 25), but in fact it well predates the creation of the Federal Circuit. *See, e.g.*, *Eastman Kodak*, 616 F.2d at 1326 (5th Cir.) (collecting cases). SCA also does not accurately describe the operation of the presumption, which is hardly "rigid." Pet. 25. First, the presumption may be rebutted by the patentee, although SCA failed to do so here. Pet. App. 105a, 110a-111a. Second, while a court is *permitted* to find the "undue delay and prejudice" elements of the laches defense satisfied if the presumption applies, the court is never *required* to do so. *Aukerman*, 960 F.2d at 1036. Laches always "remains an equitable judgment of the trial court in light of all the circumstances." *Id.*

At all events, whether laches should be presumed when, as here, a patentee sits on its rights for more than six years is not a question independently worthy of this Court's review. The Federal Circuit declined

SCA's request to review that question en banc. *See* SCA C.A. Reh'g Pet. 2, 12-13; Pet. App. 7a-8a. The presumption is settled law and is not inconsistent with any decision of this Court—including *Petrella*, which did not address how to apply laches.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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